

Message Text

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44

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 7597

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

AMEMBASSY TOKYO

USMISSION OECD PARIS

UNCLAS CANBERRA 1545

E.O. 11652: N/A

TAGS: EGEN, EIND, EINV, AS

SUBJ: GOA ANNOUNCES INCOME TAX INVESTMENT ALLOWANCE AND
PHASE OUT OF DOUBLE DEPRECIATION

REF: 75 CANBERRA 7987

1. AS PROMISED DURING THE RECENT ELECTION CAMPAIGN (75 CANBERRA 7987), ON JANUARY 26 THE TREASURER, MR. LYNCH, ANNOUNCED DETAILS OF THE 40 PERCENT INCOME TAX INVESTMENT ALLOWANCE (THE ALLOWANCE, CALCULATED AS INDICATED BELOW, CAN BE TAKEN AS A DEDUCTION FROM TAXABLE INCOME).

2. THE ALLOWANCE WILL APPLY TO NEW, BUT NOT SECOND-HAND, PLANT AND EQUIPMENT ORDERED ON OR AFTER JANUARY 1, 1976. AND, IN THE CASE OF LEASED PLANT, THAT IS THE SUBJECT OF A UNCLASSIFIED

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LEASE ENTERED INTO ON OR AFTER THAT DATE. THE ALLOWANCE

WILL ALSO APPLY IN RESPECT TO NEW PLANT OTHERWISE ELIGIBLE
IN ALL RESPECTS THAT WAS THE SUBJECT OF A HIRE-PURCHASE
AGREEMENT ENTERED INTO ON OR AFTER JANUARY 1, 1976.

3. WHERE CLAIMABLE, THE ALLOWANCE WOULD BE ADDITIONAL TO
DOUBLED OR NORMAL DEPRECIATION, WHICHEVER MIGHT BE
APPLICABLE TO THE PLANT IN QUESTION.

4. THE INVESTMENT ALLOWANCE WILL BE IN TWO PHASES:
DURING THE FIRST PHASE, RUNNING FROM JANUARY 1, 1976
TO JUNE 30, 1978 THE ALLOWANCE WILL BE AT THE RATE OF
40 PERCENT; DURING THE SECOND PHASE, RUNNING FROM
JULY 1, 1978 TO JUNE 30, 1983, THE ALLOWANCE WILL BE
AT THE RATE OF 20 PERCENT.

5. IN ORDER TO TAKE ACCOUNT OF MATERIAL SHORTAGES,
SHIPPING HOLD-UPS AND SO-ON AND IN ORDER TO INTERFERE
AS LITTLE AS POSSIBLE WITH NORMAL COMMERCIAL ARRANGEMENTS,
A 12-MONTH GRACE PERIOD WILL BE ALLOWED WITH RESPECT TO
BOTH THE 40 AND 20 PERCENT RATES. THUS THE ALLOWANCE WILL
BE EXTENDED TO PLANT ORDERED BY JUNE 30, 1978 OR JUNE 30, 1983
BUT NOT INSTALLED OR COMPLETED UNTIL JUNE 30, 1979 OR JUNE
30, 1984. GRACE PERIOD WOULD ALSO PERMIT THE ALLOWANCE TO
BE CLAIMED AT APPROPRIATE RATE, FOR PAYMENTS IN RESPECT TO
PLANT OTHERWISE ELIGIBLE IN ALL RESPECTS MADE IN 12 MONTHS
FOLLOWING EACH OF THE TWO CRITICAL DATES FOR ORDERING,
JUNE 30, 1978 AND JUNE 30, 1983.

6. NEW ALLOWANCE, UNLIKE FORMER INVESTMENT ALLOWANCES,
WILL EXTEND TO ALL INDUSTRIES. THERE ARE, HOWEVER, STILL
SOME SPECIFIC EXCLUSIONS FROM THE NEW ALLOWANCE. THESE
ARE: MOTOR CARS, MOTOR CYCLES AND OTHER ROAD VEHICLES
DESIGNED TO CARRY A LOAD OF LESS THAN ONE METRIC TON OR
LESS THAN NINE PASSENGERS; FURNITURE, FURNISHINGS, FITTINGS
AND DOMESTIC APPLIANCES EXCEPT WHERE USED IN THE TOURIST
ACCOMMODATION INDUSTRY; SPORTING AND RECREATIONAL EQUIPMENT;
WORKS OF ART AND GAMGLING EQUIPMENT; JIGS, TOOLS, DIES AND
TOOLING; AND CERTAIN STRUCTURAL IMPROVEMENTS SUCH AS WHARVES
AND JETTIES, PRIMARY PRODUCERS BOUNDARY FENCING, EMPLOYEES'
COTTAGES, MACHINERY AND SHEARING SHEDS AND STABLES.

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UM THE TREASURER NOTED, HOWEVER, THAT CAPITAL EXPENDITURE
WOULD BE ALLOWED ON SUCH OTHER ON-FARM IMPROVEMENTS AS
STRUCTURAL IMPROVEMENTS ON ON-FARM STORAGE OF HAY, GRAIN
AND FODDER, SUB-DIVISIONAL AND SIMILAR FENCING AND
IMPROVEMENTS FOR THE CONVERSION AND CONVEYANCE OF WATER.

8. WHERE PLANT AND EQUIPMENT IN THE GENERAL MINING AND

PETROLEUM MINING (PRODUCTION) INDUSTRY WAS CLAIMED AS AN IMMEDIATE DEDUCTION UNDER THE SPECIAL MINING PROVISIONS, IT WOULD NOT BE ELIGIBLE FOR THE INVESTMENT ALLOWANCE.

9. THE BASIC TESTS OF ELIGIBILITY ARE THAT PLANT AND EQUIPMENT IS DEPRECIABLE AND USED SOLELY FOR THE PURPOSE OF PRODUCING ASSESSABLE INCOME BY THE PERSON ACTUALLY USING IT. IN ADDITION PLANT MUST BE FOR USE WHOLLY AND EXCLUSIVELY IN AUSTRALIA.

10. WHEN FIRST ANNOUNCED, THE FIRST DOLLS A 1,000 OF THE COST OF ANY INDIVIDUAL ITEM WAS TO BE EXCLUDED FROM SCOPE OF NEW ALLOWANCE. THIS PROVISION WAS SUBJECT TO CONSIDERABLE CRITICISM AS DISCRIMINATING AGAINST SMALL BUSINESS, AND ON FEBRUARY 25 MR. LYNCH ANNOUNCED NEW PROCEDURES WHEREBY THE EXCLUDED AMOUNT WAS REDUCED TO DOLLS A 500. HOWEVER, IN THE RANGE OF DOLLS A 500-1,000 THERE IS A "SHADING-IN" PROCEDURE WHEREBY ALLOWANCE WOULD BE 8 PERCENT IF ITEM COSTS DOLLS A 600; 16 PCT. IF IT COST DOLLS A 700, 24 PCT. IF IT COST DOLLS A 800 AND 32 PCT. IF IT COST DOLLS A 900.

11. ON JANUARY 26, MR LYNCH ALSO ANNOUNCED DEFINITE TERMINATION OF DOUBLE DEPRECIATION ALLOWANCE WITH RESPECT TO PLANT AND EQUIPMENT FIRST USED OR INSTALLED READY FOR USE ON OR AFTER JULY 1, 1976.

12. EMBASSY POUCHING FULL TEXT OF LYNCH STATEMENTS TO ATTENTION OF HAROLD T. NELSON, EA/ANP.
HARGROVE

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